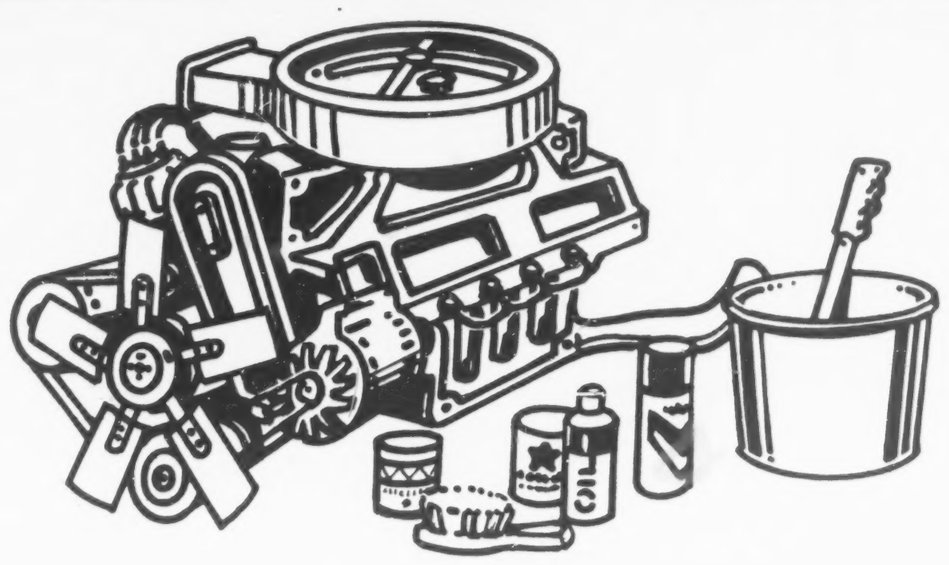


Spring Car Care Buy-in

Sales of Nonessential Auto Items May Brake in '80

By Miles W. McBurney

After years of accelerating sales, discounters in the auto aftermarket say they may see a slowdown in 1980.

Encumbered simultaneously by a poor economy and out-of-control petroleum prices, merchandisers anticipate decreased consumer spending on most nonessential automotive products.

The bright spot in the picture focuses on automotive basics needed by consumers to run their cars, particularly products which will help increase gas mileage. Chain spokesmen report that higher-mileage motor oils are increasingly popular and anticipate high demand for tune-up parts and tools this spring.

However, accessories such as car stereos, the hottest high-ticket merchandise of the late 1970's, are cooling off rapidly for some discounters. Other accessories, of the nonfunctional, dress-up variety such as racing mirrors or wheel covers, are being cut back in the expectation of lessened demand.

"Generally, we'll be happy just to meet last year's sales figures," said a buyer at Fisher's Big Wheel. "I expect it to be a very basic year. We're being very cautious with inventory levels and have been since last fall. We began controlling inventory levels in October and cut back more in December. If we had 12 items on a peg, for instance, we might have cut back to eight in October and six in December."

However, Big Wheel, unlike some other chains, is reducing stock rather than selection to meet the changing market conditions. "We don't plan to drop anything," the spokesman said. "You could say we're going with breadth without depth."

While buyers are predicting a relatively strong year for basics, they also face challenges from that merchandise. Polymer polishes, new products for most discounters this coming season, are a subject of some skepticism both because of price and the effort needed to apply them. And oil, perhaps the most basic automotive product for discounters, may be double the everyday price point from last season before the summer ends.

While buyers at chains such as Heck's, Pamida and Gee Bee, among others, are mildly optimistic about their car wax sales this season, they will be warily tracking the performance of the polymer products.

(Continued on page 60)

The Outlook: Functional Basics To Gain as DIY Trend Widens

The market outlook for automotive in 1980 includes:

- A decline in the appeal of dress-up accessories as consumers are forced to defer nonessential purchases.
- Modest gains in functional basics such as spark plugs, filters, tools and similar merchandise as consumers increasingly turn to DIY for routine maintenance.
- A continued surge in the body repair category and strength in the middle price range of waxes as consumers seek to maintain the appearance of their present vehicles.
- Sharply higher prices for motor oil—about 20% at retail—with increases coming in rapid succession through the spring and summer. Sales volume will creep upward while unit volume shrinks as consumers stretch change intervals and reduce their driving.
- Fuel-saving merchandise, from inexpensive additives to radial tires, will assume greater importance as consumers try almost desperately to reduce energy costs.
- Car stereo, which was a major growth area both in units and tickets at the end of the last decade, will begin to slow for some discounters, accompanied by a return to more basic merchandise.

For discounters, such as FedMart in Torrance, Calif., tune-up merchandise, including spark plugs, kits and higher-ticket accessories, will be a key to automotive retailing this spring. (DSN photo)

Challenges Face Automotive After Decade of Growth

The decade of the 1970's saw automotive assume an increasingly important role as a traffic builder for discounters with the size of departments, turns and sales per square foot showing substantial gains.

However, as the promotional importance of the department grew and price competition from within the general merchandise discount industry as well as specialists intensified, both initial markups and gross margins declined from 1970 levels.

Average department size is now almost half again what it was in 1970, but has been holding relatively level in the last half of the decade. Turns have grown slowly but steadily from 3.7 in 1970 to 4.7 in 1979.

The most dramatic gains have come in sales volume, with sales per square foot almost doubling in five years. A major factor in this increase has been the inclusion of increasing amount of high-ticket merchandise from CB radio in the middle years of the decade to car stereo in the last few years. The DIY trend in auto maintenance has also increased tickets as has sharpening of self-sell sales techniques and packaging.

At the opening of the decade, auto departments often were limited to motor oil, low-end waxes, air fresheners, chemicals and similar inexpensive merchandise. In the intervening years whole new lines of merchandise were developed for the DIY consumer who shops discount stores. Categories such as body repair evolved from modest beginnings, and lines such as shock absorbers, mufflers, customizing kits and others were almost reinvented for the backyard mechanic.

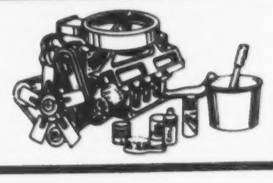
With a new decade begun, discounters have established themselves as major retailers to the DIYer, an increasingly vital market position, but face new challenges as the nature of the automobile and America's attitude toward it change drastically. But much-altered designs, more-complicated maintenance and fuel economy considerations present opportunities for, as well as obstacles to, continued growth.

	1970	1974	1975	1976	1977	1978	1979	10-year change	5-year change	'78 vs. '79
Dept. Size (sq. ft.)	1,600	1,688	2,445	2,225	2,225	2,300	2,280	+42.5%	+38.3%	−0.9%
Annual Turns	3.7	4.4	4.4	4.6	4.5	4.6	4.7	+27.0%	+6.8%	+2.2%
Volume per sq. ft.	—	$107.00	$110.00	$166.73	$186.69	$195.34	$211.27	—	+97.4%	+8.2%
Initial Markup	35%	36%	36%	37%	35%	34%	33%	−5.7%	−8.3%	−3.4%
Gross Margin	32%	28%	29%	30%	30%	29%	28%	−12.5%	NC	−3.4%
Company Run	71%	86%	86%	90%	90%	90%	92%	+29.6%	+7.0%	+2.2%

NC—no change

Source: DSN Research

Spring Car Care Buy-in



Discount Store News

PMA®

PRODUCT MOVEMENT AUDIT

Tune-up Items Surprisingly Hot; Seasonals Lag

By Herb Rechter
President,
Allied Accessories and Auto Parts Co.

As might be expected from a Product Movement Audit covering a sales period of Jan. 1 to Jan. 29, many of the top 100 positions were captured by winter seasonals.

The real news is, however, that seasonals did not do better, and that tune-up merchandise did so well and did it without the benefit of promotions.

To some degree the weather was a factor. A warm early winter depressed sales of cold-weather seasonals while extending the period in which the amateur mechanic could work on his car.

Taking up the slack left by some missing winter goods were chemicals, in a strong showing, and oils and filters, which did unusually well.

With a softening in automotive sales generally already apparent when compared to volume last year, I expect that PMAs in the near future will continue to reflect rankings similar to January's. Beginning this month, waxes will begin to replace many winter seasonals as retailers start to fill the pipeline for spring, but tune-up, filters, and chemicals will continue to be strong.

Accessory purchases which can be deferred by consumers will be especially soft while other accessories useful to the do-it-yourselfer can be expected to keep their relative positions.

This is illustrated by the ranking of the imported two-ton hydraulic jack in January which placed first in the top 100 in dollar volume. This jack is an upgraded version of the 1½-ton capacity model which we previously stocked and which also was a succesful promotional item.

Several chains which deal with us plan promotions with the two-ton jack this month,

(Continued on page 46)

Figures supplied by Allied Accessories and Auto Parts Co., Madison Heights, Mich., cover 2,000 stores, including 1,700 discount stores, in 33 states. Average retail prices listed by the distributor reflect typical price points for discount clients.

AUTOMOTIVE ACCESSORIES

$ Rank Curr. List	$ Rank Prev. List	Item	Unit Movement	Average $ Retail	Total $ Movement
1	—	2-ton hydraulic floor jack	1,451	69.99	101,555.49
2	3	HD sealed beams, 6014	15,294	3.29	50,317.26
3	5	Motorcraft oilfilter, FL-1A	12,805	3.49	44,689.45
4	37	Pennzoil all-purpose, 10W-30	29,202	0.87	25,405.74
5	23	Roberk wiper blade refill, RR-16	10,693	2.19	23,417.67
6	7	AC oil filter, PF-25	6,473	3.49	22,590.77
7	79	Scraper/squeegee/snowbrush	13,139	1.69	22,204.91
8	18	STP gas treatment, 12 oz	12,863	1.59	20,452.17
9	12	Valvoline, 10W-40	21,477	0.93	19,973.61
10	11	Gumout Jet Spray	9,908	1.99	19,716.92
11	17	Warco DOT brake fluid, 12 oz	14,087	1.39	19,580.93
12	8	HD sealed beams, 4000	6,846	2.79	19,100.34
13	15	Quaker State Super Blend, 10W-30	18,096	0.97	17,553.12
14	9	STP oil treatment, 15 oz	10,368	1.69	17,521.92
15	25	Gumout carb cleaner, 16 oz	10,212	1.69	17,258.28
16	57	Motorcraft tune-up kit, DKF-10	2,801	5.99	16,777.99
17	68	Peak antifreeze, gal	3,852	4.29	16,525.08
18	—	Auto ramps, pair	631	24.99	15,768.69
19	61	Booster cables, sleeved, 12-ft	2,362	6.49	15,329.38
20	33	Pennzoil Deluxe, 10W-40	16,992	0.89	15,122.88
21	94	10-amp battery charger	391	36.95	14,447.45
22	10	WD-40 aerosol, 9 oz	8,014	1.79	14,345.06
23	44	Fram oil filter, PH-8A	3,975	3.59	14,270.25
24	35	Square sealed beams, low, 4652	2,827	4.99	14,106.73
25	28	Quaker State Deluxe, 10W-40	15,738	0.89	14,006.82
26	51	Roberk wiper blade refill, RR-18	6,244	2.19	13,674.36
27	40	AC spark plug, R44T	11,486	1.19	13,668.34
28	24	AC spark plug, R45TS	11,319	1.19	13,469.61
29	54	Rear window defroster	1,216	10.99	13,363.84
30	—	Prestone spray de-icer	9,563	1.39	13,292.57
31	21	Delco 8-cylinder tune-up kit, 101-2	2,062	6.39	13,176.18
32	26	GM 8-cylinder Uniset, 101-1	1,566	8.39	13,138.74
33	1	Armor All, 8 oz	4,345	2.99	12,991.55
34	43	Rislone Oil Alloy, qt	6,468	1.99	12,871.32
35	19	Warco DOT brake fluid, qt	3,420	3.59	12,277.80
36	49	Fix-A-Flat	10,119	1.19	12,041.61
37	38	Universal snow chains	1,243	8.95	11,124.85
38	65	National All-Purpose, 10W-30	18,000	0.59	10,620.00
39	63	Motorcraft spark plug, ARF-52	8,687	1.19	10,337.53
40	76	Valvoline Dexron ATF, qt	11,592	0.89	10,316.88
41	56	Aerosol spray de-icer, PS560	11,565	0.89	10,292.85
42	—	Rectangular sealed beams, 6052	1,259	7.99	10,059.41
43	—	Champion spark plug, RF14Y	8,408	1.19	10,005.52
44	85	Roberk wiper blades 16-in	4,555	2.19	9,975.45
45	60	Coleman air compressor	250	39.89	9,972.50
46	16	Aerosol starting fluid, R540	10,914	0.89	9,713.46
47	27	Bars Leak, 5½ oz	7,471	1.29	9,637.59
48	22	20-in wheel wrench	2,375	3.99	9,476.25
49	20	Bars Leak, 15 oz	4,967	1.89	9,387.63
50	—	Motorcraft spark plug, BF-32	9,440	0.99	9,345.60
51	—	Champion spark plug, J13Y	9,368	0.99	9,274.32
52	—	AC spark plug, R34TSX	7,408	1.19	8,815.52
53	84	Yale power steering fl, 15 oz	6,828	1.29	8,808.12
54	—	4-ton hydraulic bottle jack	580	14.99	8,694.20
55	—	Lock-Ease aerosol, 4 oz	5,134	1.69	8,676.46
56	83	Duel air horns	283	29.99	8,487.17
57	—	Champion spark plug, N7Y	8,520	0.99	8,434.80
58	86	GM 8-cylndr dstrb cp, DR1976	1,921	4.39	8,433.19
59	—	Champion spark plug, F14Y	8,512	0.99	8,426.88
60	36	Tam-66 undercoating	4,386	1.89	8,289.54
61	—	Prestone starting fluid	5,184	1.59	8,242.56
62	4	Gas line antifreeze	20,447	0.39	7,974.33

(Continued on page 46)

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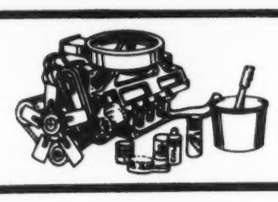
DUPLI-COLOR®

Spring Car Care Buy-in



Discount Store News

PMA®

PRODUCT MOVEMENT AUDIT

Tune-Up Items

(Continued from page 43)

which resulted in the item's ranking in January.

In the last PMA, which covered September, the 1½-ton model at the same $69.99 retail price point placed sixth. However, for January we moved more than 1,000 additional units. September orders were for 408 units and January orders for 1,451.

Another jack, a four-ton unit, placed 54th. The four-ton model replaced a three-ton, which in September placed 32nd with 687 units moved, compared to January's 580. The price point of both models was $14.99.

Although we have never been a major supplier of oil to discounters, in recent months Pennzoil, Quaker State, and Valvoline have become significant volume producers for us as retailers are forced by rapidly rising costs to shop around.

Pennzoil's 10W-30 multigrade jumped to fourth place from 37th in September. The probable cause for this rise was that Pennzoil was a little slower in raising its price than other oil companies in January. The company's 10W-40 multigrade also improved its ranking, going to 20th place from 33rd.

Rounding out the top five finishers, the second-ranked 6014 sealed beams and the Motorcraft FL-1A oil filter are perennially strong products because of universality of application.

The fifth-ranked product is the highest ranking seasonal, Roberk's RR-16 wiper blade refill.

Seventeen of the 100 listings were captured by tune-up related merchandise led by the Motorcraft DKF-10 tune-up kit. Like the Motorcraft filter, the kit ranks high because it is an original equipment replacement for all Ford V-8s.

Champion spark plugs had an unusually strong month with four sku's among the top 100. In the aggregate, Champion moves a large number of plugs through Allied, but partially because of different packaging, individual sku's rarely break into the top 100 report. The equivalent plug comes carded in blister packs in addition to boxes but each package has a separate stock number and is considered a different sku. All four numbers in this PMA are boxed plugs.

Five numbers of AC plugs are listed with the remaining eight spots split among Motorcraft plugs, tune-up kits, and a GM distributor cap.

A year ago there were almost as many tune-up sku's represented but that was largely due to our effort to clean out our inventory of Autolite plugs as we switched from Autolite to Motorcraft. For so many tune-up parts to be on the list at this time of the year without major promotions is unusual.

AUTOMOTIVE ACCESSORIES

(Continued from page 43)

$ Rank Curr. List	$ Rank Prev. List	Item	Unit Movement	Average $ Retail	Total $ Movement
63	62	3-section Antenna w/booster	1,047	7.59	7,946.73
64	—	Wynn Spitfire, 15 oz	4,692	1.69	7,929.48
65	—	CD-2 Black Lo, 15 oz	4,405	1.79	7,884.95
66	—	Super snow brush/scraper	4,894	1.59	7,781.46
67	48	AC oil filter, PF-40	2,352	3.29	7,738.08
68	93	Mopar oil filter, L-19	2,208	3.49	7,705.92
69	—	Rect quartz light, amber	453	16.99	7,696.47
70	—	Lucite scraper w/brush	4,978	1.49	7,696.47
71	87	AS400 brake fluid, 12 oz	4,296	1.69	7,260.24
72	—	DuPont Gas Guard antifreeze	14,760	0.49	7,232.40
73	66	Blower-defroster	546	12.99	7,092.54
74	—	GM combo tune-up kit, TK237	1,745	3.99	6,962.55
75	41	DuPont Rn Dance, pst, 14 oz	1,417	4.89	6,929.13
76	77	GM 8-cylndr tn-up kt, TK175	2,169	3.19	6,919.11
77	88	AC spark plug, R46S	5,768	1.19	6,863.92
78	—	Fram oil filter, PH-25	1,905	3.59	6,838.95
79	97	Power Liquid battery additive	3,420	1.99	6,805.80
80	45	AC oil filter, PF-30	1,918	3.49	6,693.82
81	—	Wynn carb cleaner, 11 oz	3,916	1.69	6,618.04
82	—	AC spark plug, 8/R45TS	675	9.79	6,608.25
83	30	Gunk aerosol	3,872	1.69	6,543.68
84	—	Casite Tune-up, 15 oz	3,863	1.69	6,528.47
85	—	Blind spot mirror, 3¾-in	3,785	1.69	6,396.65
86	—	Casite Motor Honey, 14 oz	3,780	1.69	6,388.20
87	80	Roberk universal washer pump	672	9.49	6,377.28
88	—	Heet gas line antifreeze	10,776	0.59	6,357.84
89	46	AC oil filter, PF-24	1,820	3.49	6,351.80
90	78	Auto bulbs, 1157/1034	7,122	0.89	6,338.58
91	50	Locking gas cap, 4610BL	1,044	5.99	6,253.56
92	71	Booster cable, deluxe clamp, 12-ft	476	12.99	6,183.24
93	29	5-gal gas can	773	7.99	6,176.27
94	—	Fram oil filter, PH-30	1,712	3.59	6,146.08
95	—	Valvoline F-type ATF, qt	6,886	0.89	6,128.54
96	—	AC oil filter, PF-2	1,848	3.29	6,079.92
97	—	Sun Visor, 1125C	2,507	2.39	5,991.73
98	74	CD-2 Red Hi, 15 oz	3,324	1.79	5,949.96
99	—	Roberk wiper blade refill, RR-15	2,711	2.19	5,937.09
100	72	AC oil filter, PF-35	1,679	3.49	5,859.71

Source: Allied Accessories & Auto Parts

This trend reflects the concern of most every motorist to keep his car running efficiently. With the cost of gasoline certain to continue rising, this bodes well for sales of these products.

Nonseasonal chemicals, particularly those which are said to increase gas economy, accounted for another 20 spots on the list. Chemicals have always been a strong line, but with fuel economy so important, gas and oil additives and carburetor cleaners and similar products can be expected to improve their sales performance even more.

Seasonals, chemical or otherwise, were disappointing this year and we are left with an unhappily large inventory. Although there are a considerable number of seasonal products on the list, there are fewer than should be expected and their rankings are not particularly good.

For example, last year there were three battery chargers among the top 100 and this year only one, the 10-amp model of which only 361 units moved in January. It achieved its No. 21 ranking by virtue of a $36.95 price point.

This relatively poor performance reflects not only the mild early winter weather but also a weakening in the automotive aftermarket. Many consumers would normally have made purchases of winter seasonals in anticipation of bad weather, especially after the experience of harsh winters the previous several years.

Fuel Worries Boost Movement Of Additives, Engine Cleaners

MADISON HEIGHTS, Mich.—The impact of America's real concern about fuel supply and prices can be seen by comparing the current Product Movement Audit with last year's.

While both reports naturally share an emphasis on winter seasonals, the 1980 PMA shows significant growth in products which make engines run better and conserve fuel.

A full 30% of the current top 100 are chemical additives, engine cleaners or tune-up kits and parts. In 1979, similar products accounted for 25% of the listings and benefitted from strong promotions aimed at reducing a large inventory of Autolite spark plugs.

Buyers for discount store chains predict that these gas-saving basics will continue strong through the spring and summer. If true, this means oils, filters, chemicals and tune-up accessories will take nearly half the listings in the top 100, leaving seasonals and especially high-ticket promotional accessories in a diminished position of importance.

That retailers cannot simply eliminate promotional accessories is underscored by the 1980 positioning of the imported 2-ton hydraulic floor jack. It placed first on the current PMA while last year the highest positioning for a high-ticket accessory was sixth for a 1½-ton jack.

A Jamesway spokesman, noting that store traffic figures at the start of 1980 were below 1979's, said his sales of impulse items have suffered. As a result, he said, promotions this spring and summer in the auto department must be geared to maximize traffic and image.

Bug Removers, Air Pumps Cited

Promotions will be run with both high- and low-ticket items and on merchandise which can be tied into other departments. The Jamesway spokesman cited bug removers as good low-ticket items to build traffic in the auto department and foot-operated air pumps as higher tickets that can benefit a department such as sporting goods as well as auto.

A spokesman for ALCO added that his 1980 plans include sticking with similar, functional accessories for promotions rather than dress-up merchandise which is expected to suffer because of economic pressure on consumers.

While hydraulic jacks are unquestionably high-ticket accessories they are also very functional, and as buyers at chains such as Heck's and Pamida note, the always-vital do-it-yourselfer will become even more important.

The weakening of nonfunctional accessories is illustrated by the comparative rankings of air horns. Last year they were 17th in dollars produced while this year they slipped back to 56th. On the other hand, auto ramps, which were 26th last year moved up to 18th in the current listing.

That motorists are keeping their cars longer before replacing them was apparent last year, with the numerous rankings of replacement headlights, battery chargers, booster cables and especially conventional tune-up kits. If confirmation of that trend were needed—beyond shrinking new car sales figures—it is contained in the current rankings.

Discount chain buyers are confident that this development will translate into sales gains for car waxes and especially body repair compounds and accessories this spring.

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